

Price analysis

Business



Assume you will only be allowed to use one (1) method for performing price analysis for the duration of your career. Write a 1-2 page paper in which you determine which method is best in the widest variety of situations and explain your rationale. Price analysis is the investigation and appraisal of a price that is planned for a particular good without considering the expenses incurred for each component that the product consists of and without looking at the revenue that it can generate.

There are several possible methods for performing price analysis and it is possible to use more than one of these methods in any given case. These methods include: (1) comparison of proposed prices received in response to the solicitation, (2) comparison to prior prices paid, (3) comparison to prior quotes, (4) comparison to prices paid for similar items, (5) use of estimating relationships, also referred to as “ use of rough yardsticks”, (6) comparison of offers to published prices, and (7) comparison with independent government estimates. Additionally, auxiliary techniques for price analysis are value and visual analysis. Since I am only allowed to use one method for performing price analysis for the duration of my career, I would choose to use the Comparison to Prices Paid for Similar Items method. My reason for choosing this method over the others is simple.

By using this method, I will be able to compare the prices paid for similar items and therefore get the best price possible for my business/ company. However, when comparing prices, it must be current prices for them to be effective. For example, if I were purchasing a new computer now and looked back 6 months or even a year, I would most likely not get an accurate quote because prices go up. Keep in mind that even though two products are

exactly the same, the one with a well-known name may be able to carry a higher price because it is more recognized and trusted by consumers. With that being said, when comparing prices, I cannot just look at the prices because even though it may be cheaper, the quality may not be there. Finally, by performing a price analysis, it helps the business to better understand how it is viewed through the customers' observations.